TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1427 - HB 1403

February 5, 2015

SUMMARY OF BILL: Deletes provision in Tenn. Code Ann. § 67-5-704 that requires the total household income of eligible disabled veterans from exceeding $60,000 for the purpose of qualifying for local property tax relief in tax year 2015 and subsequent tax years. Exempts eligible disabled veterans from submitting proof and documentation of annual income.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $602,400

Assumptions:

- The act shall take effect upon becoming a law, the public welfare requiring it. Therefore, it is assumed the first tax year impacted will be 2016. Given that property tax notices would be sent to taxpayers in late 2016, and paid by February 2017, the first fiscal year impact would be FY16-17.
- Pursuant to Tenn. Code Ann. § 67-5-704(a)(1), there shall be paid from the general funds of the state to certain disabled veterans the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on that property that the disabled veteran owned and used as the disabled veteran's residence as provided in this section.
- Given that tax relief payments are made to the eligible disabled veterans in order to reimburse the taxpayer for local property taxes paid, it is assumed that all applicable local property taxes have been paid at the time tax relief payments are submitted to eligible recipients; as a result, any change in property tax revenue received by the applicable local government entities is estimated to be not significant.
- The precise fiscal impact of this bill on state government is dependent upon several unknown factors such as (1) the number of disabled veterans that are currently ineligible for property tax relief payments, due to their incomes exceeding the current income qualifying criteria, that will qualify for property tax relief under the provisions of this bill, and (2) the extent of property values of homes for any new qualifying disabled veterans.
- In 2015, Public Chapter 481 (PC481) reduced the assessed property value for disabled veterans eligible for property tax relief from $175,000 to $100,000 and imposed an income limit for eligibility not to exceed $60,000.

- Because the law was enacted in 2015 and property tax payments for 2015 are due by February 2016, the decrease in tax relief applicants as a result of the restrictions in PC481 is not available. As such, the restrictions in PC481 were calculated on 2014 tax information to estimate the outcome of reversing the income limit restriction.
- Based on information provided by the Comptroller, the calculated amount of property tax relief, at a $100,000 assessed property value limit, that was attributable to new veteran applications in 2014 was $1,518,394.
- Based on the information provided by the Comptroller, it is estimated that 30 percent of the applicants in 2014 would not have qualified if the $60,000 income limit pursuant to PC481 had been in place in 2014. This would have resulted in the state retaining approximately $455,518 ($1,518,394 x 30.0%) in 2014 that it eventually paid out in property tax relief.
- Based on the growth rate for disabled veteran tax relief over the last three years, the reduction has been projected forward to FY16-17 using an annual growth rate of 15 percent in order to determine the estimated increase in tax relief payments if the current $60,000 income limit is removed.
- The recurring increase in state expenditures beginning in FY16-17 from the General Fund is estimated to be $602,423 [($455,518 x 115.0%) x 115.0%)].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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